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New Strategy on Social Security

With Some Risk, Bush Officials Invoke Clinton, Moynihan

By Jonathan Weisman
Washington Post Staff Writer
Monday, January 24, 2005; Page A03

With their push to restructure Social Security off to a rocky start, Bush administration officials have begun citing two Democrats -- former President Bill Clinton and the late senator Daniel Patrick Moynihan -- to bolster their claims that the retirement system is in crisis.

But the gambit carries some risk, Bush supporters say. Clinton's repeated calls during his second term to "save Social Security first" were specifically to thwart what President Bush ultimately did: cut taxes based on federal budget surplus projections. Likewise, internal Treasury Department documents indicate that Moynihan, a New York Democrat who was co-chairman of Bush's 2001 Social Security Commission, expressed misgivings about the president's push to partially privatize Social Security.

Nonetheless, White House officials -- and some Democrats -- say invoking Clinton and Moynihan could help move the Social Security debate beyond the question of whether there is a "crisis" in the system, and on to what to do about it.

"As we move forward with our efforts to talk about the problem and the need for reform, administration officials are talking about what leaders of the Democrat Party have said about the problem," White House spokeswoman Claire Buchan said.

In public speeches recently, N. Gregory Mankiw, chairman of Bush's Council of Economic Advisers, and White House budget director Joshua B. Bolten, both cited the same passage of a 1998 Clinton speech at Georgetown University.

"This fiscal crisis in Social Security affects every generation," Clinton said in the speech.

But neither Mankiw nor Bolten cited another passage from the same address: "Before we spend a penny on new programs or tax cuts, we should save Social Security first. I think it should be the driving principle . . . Do not have a tax cut. Do not have a spending program that deals with that surplus. Save Social Security first."

"The Bush White House should have read Clinton's speeches before they squandered the Clinton surplus," said Bruce Reed, who was Clinton's domestic policy chief at the time of the speech.

When Bush entered office, conservatives active in the Social Security debate, including Rep. Jim Kolbe (R-Ariz.) and Michael Tanner of the libertarian Cato Institute, urged him to tackle Social Security while the government projected a 10-year, \$5.6 trillion budget surplus, before pursuing his 10-year, \$1.6 trillion tax cut. But Bush signed five tax cuts in four years, totaling nearly \$1.9 trillion over the next

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decade.

"In 2001 we faced a recession, an economy declining, and the president was concerned about people needing work," Buchan said, explaining why Bush pushed his tax cut first.

Moreover, Clinton never proposed diverting Social Security taxes from current beneficiaries to private investment accounts, as Bush has suggested, Clinton aides said. Instead, he proposed using the surplus to finance personal savings accounts on top of the Social Security system, said Jeffrey B. Liebman, a Harvard University economist who helped draft Clinton's Social Security plans.

"President Clinton did believe it was better for the country to act early on Social Security by increasing savings and protecting Social Security's guaranteed benefit structure," said Gene B. Sperling, who directed Clinton's National Economic Council during the Social Security push. "Clinton never suggested that the Social Security solvency challenge required radical restructuring."

Some Bush supporters said enlisting Clinton's words posed a more basic risk: "He's alive and well and able to reinterpret his comments at any point," said David C. John, a Social Security analyst at the conservative Heritage Foundation.

Moynihan died in 2003. Treasury Secretary John W. Snow invoked his memory Thursday in a Wall Street Journal column. But documents from the Social Security Commission, leaked by former Treasury secretary Paul H. O'Neill, indicate that Moynihan was ambivalent.

An Oct. 22, 2001, memo from Treasury economic policy aide Kent Smetters to O'Neill said Moynihan backed a Social Security restructuring plan that would layer small personal investment accounts on top of the existing Social Security system rather than diverting taxes from the system. Under the Moynihan approach, individuals could contribute an additional 1 percent of their earnings into an investment account, which would then be matched by the federal government from general tax revenue.

That "add-on" approach has become mainstream policy for the Democratic Party, but it is a major departure from the approach Bush has embraced.

Moreover, "Moynihan has expressed a considerable amount of frustration that he is not being allowed to control the agenda and, in particular, that the White House and Commission Staff are controlling the agenda to a large extent," said the memo, posted on the Internet by O'Neill biographer Ron Suskind.

"Moynihan was always a believer in incrementalism," said Smetters, now at the University of Pennsylvania. "He believed that once people got used to ownership, used to the accounts, they would want more of a good thing."

Former representative Timothy J. Penny of Minnesota, another Democratic member of the commission, said the add-on approach was discussed but members understood that Bush wanted them to carve individual accounts out of existing Social Security taxes.

Besides, said University of Pennsylvania professor Olivia S. Mitchell, another Democrat on the commission, "Moynihan signed the report like everyone else," and two of the commission's three recommendations favored significant partial privatization.

Rep. Charles B. Rangel of New York, the ranking Democrat on the House Ways and Means Committee, said the administration's use of Clinton and Moynihan will have little impact on the debate anyway.

Clinton, he said, "has no public office, no legislative role in Social Security," he said. "Pat Moynihan has passed away"

"If you're talking about bipartisanship, you have to be talking to people who are alive and elected, who can reach across the aisle to you," Rangel said.

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